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August 14, 2024

**BY ECF**

Honorable Michael E. Wiles  
United States Bankruptcy Judge  
United States Bankruptcy Court  
1 Bowling Green  
One Bowling Green New York, NY 10004-1408

Re: ***4D Factory Inc., et al.***  
***Chapter 11 (Subchapter V)***  
***Case No. 23-11618 MEW***  
***(Jointly Administered)***

Dear Judge Wiles:

I am counsel for the above Subchapter V Debtors. This letter is provided in accordance with the Court's request at the July 30, 2024 conference. The following is a status report on the Plan filed with the Court on January 8, 2024 (ECF 51)(the "Plan").

The source of funding for the Plan remains the same as does the proposed payout of 100% to allowed claims against the Debtors, to wit: from the operating affiliates of The 4D Factory LLC ("4D Factory"). 4D Factory holds a controlling ownership interest in a UK company by the name of Centili Ltd. and owns an interest in another affiliate by the name of Neon Machine, Inc. ("Neon Machine").

**Status of the Recovery of 4D Factory's Assets in Neon Machine**

Since the filing of the Plan, the Debtor has commenced an adversary proceeding on February 22, 2024 (Adv. Pro. No. 24-01319 (MEW))(the "Adversary Proceeding") seeking to recover its interests in Neon Machine from Neon Machine and 4D Factory's fellow shareholders who have, among other things (which are detailed in the Second Amended Complaint filed with the Court last Friday, Aug. 9, 2024), distributed over half a billion cryptocurrency "tokens" to themselves while excluding 4D Factory from such distribution.<sup>1</sup> The Debtor estimates the recovery in the Adversary Proceeding will far exceed the allowed claims against the Debtors, and be more than sufficient to pay all allowed claims in full. The Debtors continue to believe the fastest route to repayment of allowed claims is through a recovery in the Adversary Proceeding. After a period of settlement discussions that did not result in a settlement, the next steps in the litigation involve the amended complaint, discovery and a trial in first quarter of 2025. The Debtors expect that settlement discussions will likely resume as discovery progresses.

**Status of Projections and Funding of Plan from Centili**

As the Plan provides, and as evidenced by the monthly operating reports, the Debtors have been receiving capital investment from 4D Factory's managing member, Cort Javarone,

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<sup>1</sup> Indeed, the secured debt of Neon Media, LLC (another affiliate of the Debtor), which debt is guaranteed by the Debtor, was incurred to fund projects developed at Neon Media including "Shrapnel" which is now being developed at Neon Machine. Ensuring this asset is monetized and damages recovered is appropriate as a primary solution.

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during the bankruptcy cases, which funds have allowed them to sustain operations. Further, Centili has been financed by over \$800,000 to date from Mr. Javarone's management company, 4D Management, LLC, since the filing of the bankruptcy cases. The following is intended as a brief summary of Centili's operations since the filing of the Plan:

- Centili Ltd. has been funded with over \$800,000 in the past nine (9) months to cover working capital while the business grows and becomes profitable. That funding came from 4D Management LLC. In order to fund this financing, 4D Management LLC borrowed approximately \$375,000 and Mr. Javarone liquidated personal assets.
- On July 30, 2024, following the continued threat of an involuntary liquidation being filed against Centilli Ltd. by certain of its trade creditors, the directors placed Centili Ltd. into a UK Administration procedure, immediately following which the business and relevant assets of Centilli Limited were sold by the Administrators to Centili Group Limited (the "Buyer"), whose ordinary share capital is currently owned as follows: 100 shares by 4D Factory and 1 share by Cort Javarone, as director.
- In connection with the sale, the Buyer agreed to assume £400,000 in secured debt that Centilli Limited owed to 4D Management LLC, and also agreed to the payment of £150,000 in cash consideration, approximately 60% of which has been paid with the balance payable by the Buyer over the next 6 months.
- Consequently, Centili Group Limited can seek growth capital without the burden of the legacy trade debt, which was inherited when 4D Factory purchased Centili Ltd. in early 2023.
- 4D Factory believes that the capital investment and restructuring will make Centili profitable on a monthly basis within just a few more months.

Based on the above, 4D Factory confidently projects that a sufficient portion of Centili's cash flow can be distributed quarterly to 4D Factory to fund Plan payments, that will repay 100% of creditor claims over a 3-5 year Plan period. Obviously, a successful outcome in the Adversary Proceeding will allow for a shorter-term payout to all allowed claims.

The Debtors intend to receive updated projections from Centili in the near future. The Debtors will continue to collaborate with their largest secured creditor, MEP Capital Holdings III, L.P., and the Subchapter V Trustee as it develops its first amended plan. The Debtors intend to circulate their amended Plan within the next 60 days.

Thank you for the Court's time and consideration in this matter.

Respectfully,

*/s/ Robert J. Spence*

Robert J. Spence